

Assembly Bill No. 1393

Passed the Assembly July 3, 2014

Chief Clerk of the Assembly

Passed the Senate June 30, 2014

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Section 17144.5 of the Revenue and Taxation Code, relating to taxation, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1393, Perea. Personal income taxes: income exclusion: mortgage debt forgiveness.

The Personal Income Tax Law provides for modified conformity to specified provisions of federal income tax law relating to the exclusion of the discharge of qualified principal residence indebtedness, as defined, from an individual's income if that debt is discharged after January 1, 2007, and before January 1, 2013, as provided. The federal American Taxpayer Relief Act of 2012 extended the operation of those provisions to qualified principal residence indebtedness that is discharged before January 1, 2014.

This bill would conform to the federal extension, discharge indebtedness for related penalties and interest, and make legislative findings and declarations regarding the public purpose served by the bill.

This bill would declare that it is to take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 17144.5 of the Revenue and Taxation Code is amended to read:

17144.5. (a) Section 108(a)(1)(E) of the Internal Revenue Code, is modified to provide that the amount excluded from gross income shall not exceed \$500,000 (\$250,000 in the case of a married individual filing a separate return).

(b) Section 108(h)(2) of the Internal Revenue Code, is modified by substituting the phrase “(within the meaning of section 163(h)(3)(B), applied by substituting ‘\$800,000 (\$400,000’ for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)” for the phrase “(within the meaning of section 163(h)(3)(B), applied by

substituting ‘\$2,000,000 (\$1,000,000’ for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof)’ contained therein.

(c) This section shall apply to discharges of indebtedness occurring on or after January 1, 2007, and, notwithstanding any other law to the contrary, no penalties or interest shall be due with respect to the discharge of qualified principal residence indebtedness during the 2007 or 2009 taxable year regardless of whether or not the taxpayer reports the discharge on his or her return for the 2007 or 2009 taxable year.

(d) The amendments made by Section 202 of the American Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108 of the Internal Revenue Code shall apply.

(e) The changes made to this section by the act adding this subdivision shall apply to discharges of indebtedness that occur on or after January 1, 2013, and before January 1, 2014, and, notwithstanding any other law, no penalties or interest shall be due with respect to the discharge of qualified principal residence indebtedness during the 2013 taxable year, regardless of whether the taxpayer reports the discharge on his or her income tax return for the 2013 taxable year.

SEC. 2. The amendments made by this act that conform to the amendments made by Section 202 of the American Taxpayer Relief Act of 2012 (Public Law 112-240) to Section 108 of the Internal Revenue Code, apply to qualified principal residence indebtedness that is discharged on and after January 1, 2013, and before January 1, 2014. The Legislature finds and declares that the amendments made by this act and the retroactive application contained in the preceding sentence are necessary for the public purpose of conforming state law to the amendments to the Internal Revenue Code as made by the American Taxpayer Relief Act of 2012 (Public Law 112-240), thereby preventing undue hardship to taxpayers whose qualified principal residence indebtedness was discharged on and after January 1, 2013, and before January 1, 2014, and do not constitute a gift of public funds within the meaning of Section 6 of Article XVI of the California Constitution.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide tax relief to distressed homeowners at the earliest possible time, it is necessary that this act take effect immediately.

Approved _____, 2014

Governor